

**RHODE ISLAND SUPREME COURT
MANDATORY CONTINUING LEGAL EDUCATION FUND
FISCAL YEARS ENDED JUNE 30, 2000 – JUNE 30, 1994**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

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Rhode Island Supreme Court
MANDATORY CONTINUING LEGAL EDUCATION FUND
Fiscal Years Ended June 30, 2000 - June 30, 1994

EXECUTIVE SUMMARY

We have concluded an audit of the R.I. Supreme Court's Mandatory Continuing Legal Education Fund (MCLE) for the fiscal years ended June 30, 2000 through June 30, 1994. Our audit identified the following recommendations for management's consideration:

- The Commission should seek to establish MCLE's operations as a special revenue fund within the state's accounting system.
- The Commission should research the feasibility of purchasing proven MCLE software.
- All software alternatives should be reviewed to ensure compliance with the Supreme Court's information technology plan.

RHODE ISLAND SUPREME COURT
MANDATORY CONTINUING LEGAL EDUCATION FUND
FISCAL YEARS ENDED JUNE 30, 2000 - JUNE 30, 1994

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July 17, 2001

The Honorable Frank J. Williams
Chief Justice of the Supreme Court
250 Benefit Street
Providence, RI 02903


Dear Justice Williams:

We have completed an audit of the Mandatory Continuing Legal Education Fund, for the fiscal years ended June 30, 2000 through June 30, 1994 in accordance with Sections 35-7-3 and 35-7-4 of the R.I. General Laws.

The findings and recommendations included herein have been discussed with management, and we have considered their comments in the preparation of our report. Managements' responses to our findings have also been included in our report.

In accordance with Section 35-7-4 of the General Laws, we will review the status of the Mandatory Continuing Legal Education Funds corrective action plan within 6 months of the date of issue of this report.

Sincerely,


Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb

RHODE ISLAND SUPREME COURT
MANDATORY CONTINUING LEGAL EDUCATION FUND
FISCAL YEARS ENDED JUNE 30, 2000 - JUNE 30, 1994

BACKGROUND

Article IV, Rule 3 of the R.I. Supreme Court Rules established Mandatory Continuing Legal Education Regulations (MCLE). These regulations were adopted to implement a program of mandatory continuing legal education and to set standards and minimum requirements for the program. These rules became effective July 1, 1995.

As stated in the preamble to Rule 3, "It is of primary importance to the courts, the bar, and the public that attorneys continue their legal education in order to have and maintain the requisite knowledge and skill necessary to fulfill their professional responsibilities. This Rule is adopted to establish a program of mandatory continuing legal education (MCLE) and to set standards and minimum requirements for that program."

RHODE ISLAND SUPREME COURT
MANDATORY CONTINUING LEGAL EDUCATION FUND
FISCAL YEARS ENDED JUNE 30, 2000 - JUNE 30, 1994

AUDIT SCOPE AND PURPOSE

We conducted an audit of the cash transactions for the MCLE fund for the fiscal years ended June 30, 2000 through 1994. Our audit also extended to the operating practices and procedures in effect at the time of the audit.

As part of our audit, we sampled selected cash receipt and disbursement transactions and we performed the following:

- Reviewed cash collection and deposit procedures.
- Reviewed cash disbursements for compliance with State policies, procedures, and applicable rules and regulations.
- Reviewed cost reimbursements to the State General Fund.
- Reviewed information technology strategy.
- Reconciled cash received and disbursed to recorded amounts on deposit with the bank.

The purpose of our review was to determine:

- Compliance with applicable state laws and procedures.
- Compliance with Executive Order No. 95-04.
- The effectiveness of operational procedures.



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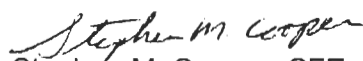
Honorable Frank J. Williams
Chief Justice
Rhode Island Supreme Court

We have audited the statements of cash receipts and disbursements of the Mandatory Continuing Legal Education (MCLE) Fund for the fiscal years ended June 30, 2000 through June 30, 1994. These financial statements are the responsibility of the MCLE commission. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards for the practice of internal auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in the accompanying Note, the statement of cash receipts and disbursements is a summary of the cash activity of the Mandatory Continuing Legal Education Fund and does not present transactions that would be included in financial statements presented on the accrual basis of accounting, as contemplated by generally accepted accounting principles. Accordingly, the accompanying statements are not intended to present the financial position or results of the operations in conformity with generally accepted accounting principles.

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash receipts and disbursements of the Mandatory Continuing Legal Education Fund for the fiscal years ended June 30, 2000 through 1994, on the basis of accounting described in the accompanying Note.


Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits
August 24, 2000

SMC:pb

RHODE ISLAND SUPREME COURT
MANDATORY CONTINUING LEGAL EDUCATION FUND
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEARS ENDED JUNE 30, 2000, 1999, 1998, 1997, 1996, 1995, 1994

		FISCAL YEARS ENDED JUNE 30						
		2000	1999	1998	1997	1996	1995	1994
<u>Cash Receipts</u>								
Receipts	\$	<u>110,447.97</u>	<u>93,260.36</u>	<u>100,633.65</u>	<u>85,090.02</u>	<u>81,261.27</u>	<u>88,636.51</u>	<u>26,553.21</u>
Total Receipts		<u>110,447.97</u>	<u>93,260.36</u>	<u>100,633.65</u>	<u>85,090.02</u>	<u>81,261.27</u>	<u>88,636.51</u>	<u>26,553.21</u>
<u>Cash Disbursements</u>								
Reimbursement to State of RI		228,985.68	130,930.01	9,034.76	111,680.50	-	28,336.25	-
Outsource Personnel		1,010.87	2,922.48	1,325.00	867.90	5,779.39	-	-
Office Equipment/Printing		3,000.27	4,503.81	3,674.36	8,907.31	8,750.40	-	-
Other		<u>550.50</u>	<u>710.63</u>	<u>514.00</u>	<u>200.00</u>	<u>515.38</u>	<u>-</u>	<u>13.49</u>
Total Disbursements		<u>233,547.32</u>	<u>139,066.93</u>	<u>14,548.12</u>	<u>121,655.71</u>	<u>15,045.17</u>	<u>28,336.25</u>	<u>13.49</u>
Excess (Deficiency) of Cash Receipts over Cash Disbursements		(123,099.35)	(45,806.57)	86,085.53	(36,565.69)	66,216.10	60,300.26	26,539.72
Cash Balance, July 1		<u>156,769.35</u>	<u>202,575.92</u>	<u>116,490.39</u>	<u>153,056.08</u>	<u>86,839.98</u>	<u>26,539.72</u>	<u>-</u>
Cash Balance, June 30		\$ <u>33,670.00</u>	<u>156,769.35</u>	<u>202,575.92</u>	<u>116,490.39</u>	<u>153,056.08</u>	<u>86,839.98</u>	<u>26,539.72</u>

See accompanying note to financial statement.

RHODE ISLAND SUPREME COURT
MANDATORY CONTINUING LEGAL EDUCATION FUND
FISCAL YEARS ENDED JUNE 30, 2000 THROUGH 1994

NOTE TO FINANCIAL STATEMENTS

Basis of Accounting

The accompanying financial statements have been prepared on the cash receipts and disbursements basis of accounting. Under that basis, the only assets recognized are cash and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements. Noncash transactions are not recognized in the financial statements.

RHODE ISLAND SUPREME COURT
MANDATORY CONTINUING LEGAL EDUCATION FUND
FISCAL YEARS ENDED JUNE 30, 2000 THROUGH JUNE 30, 1994

FINDINGS AND RECOMMENDATIONS

Fund Type Classification

The MCLE fund does not operate within the State's accounting system. Its operations are accounted for through the use of a separate checking account which is outside of the State's direct oversight. At the time of the funds inception, management attempted to have the fund treated as a restricted receipt but was unsuccessful. We believe that the fund exhibits the characteristics of a special revenue fund type, thus management should explore the possibility (with the Office of Accounts and Control) of establishing the MCLE fund as a special revenue fund. According to the Government Accounting Standards Board (GASB) Codification Section 1300.104a(2), special revenue funds "account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes."

Recommendation

1. Seek to establish MCLE's operations as a special revenue fund within the state's accounting system.

Management's Response

Accepted

Computer Software

As part of our evaluation of the internal control structure, we reviewed the procedures used to process cash receipts and disbursements and we reviewed the software used to track attorney compliance with MCLE requirements.

The MCLE office uses a database program to record cash receipts and to track attorney compliance. A review of this software disclosed the following deficiencies:

- Cash receipts data and attorney education credits are not integrated.

Computer Software - (Cont'd)

- Each year requires the use of a separate database file (i.e., records cannot be rolled forward as a starting point for each subsequent year).
- The program is a flat database (i.e., it cannot share data with other database programs).
- Late payments received after the calendar year must be posted to the previous year(s) database file, thus a complete record of cash received cannot be generated from the current year database file.
- The program does not produce meaningful financial report data.
- The program lacks sufficient user documentation and is supported by only one known vendor.

Management is aware of many of these limitations and has devised some effective methods as a work around for the shortcomings in the software. Information technology limitations require additional staff effort to maintain current service levels. It is our belief that a quality MCLE monitoring system should be capable of providing detailed credit tracking and should provide sound fiscal capabilities to demonstrate both financial and program compliance.

In our opinion, the present system does not provide the data needed to satisfy financial and program compliance requirements.

Recommendations

2. The Commission should research the feasibility of purchasing proven MCLE software.

Management's Response

Accepted

3. A review of all software alternatives should be performed to ensure compliance with the R.I. Supreme Court's information technology plan.

Management's Response

Accepted



Supreme Court of Rhode Island
Frank Ticht Judicial Complex
250 Benefit Street
Providence, RI 02903

FRANK J. WILLIAMS
CHIEF JUSTICE

July 13, 2001

Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits
Department of Administration
One Capitol Hill
Providence, RI 02908

Dear Mr. Cooper:

In accordance with Rhode Island General Laws Sections 35-7-3 and 35-7-4, the enclosed is the Response to the Audit of the Mandatory Continuing Legal Education Fund. The Rhode Island Supreme Court and its Mandatory Continuing Legal Education Commission sincerely appreciates the time and assistance provided by the Bureau of Audits.

Should you require anything further, please contact the Commission's Executive Director, Holly Hitchcock, M.Ed., at 222-4942.

Sincerely,

Frank J. Williams
Chief Justice

FJW:ms
Enclosure
cc: Honorable Robert G. Flanders, Jr.
John H. Barrette
Wayne Hannon
Holly Hitchcock, M.Ed.

**Response to Draft Audit Report
of Rhode Island MCLE Commission**

Thursday, May 17, 2001

Response to Draft Audit Report of Rhode Island MCLE Commission

Pursuant to Rhode Island General Law 35-7-4(c), the following constitutes the formal response to the Audit Report of the Rhode Island Supreme Court Mandatory Continuing Legal Education Commission (Fund) for fiscal years ending June 30, 2000-June 30, 1994. The Commission wishes to thank the Bureau of Audits for its attentive, professional and thorough performance paying particular attention to acquiring a complete understanding of the specialized function and mission of the Rhode Island Mandatory Continuing Legal Education Commission. Overall, the Commission agrees with the audit report and appreciates the suggestions embodied within.

Contact person for the Commission is Holly Hitchcock, M.Ed., Executive Director, 401-222-4942, fax 401-222-4302.

All responses and plans to implement recommendations are contingent upon availability of funds and personnel.

Recommendation 1: Seek to establish MCLE's operations as a special revenue fund within the state's accounting system.

Response: Accepted.

Recommendation 1 will be implemented as soon into FY 2002 as feasible as can be arranged by the Court Finance Office and the State Office of Accounts and Control.

Recommendation 2: The Commission should research the feasibility of purchasing proven MCLE software.

Response: Accepted.

The Rhode Island MCLE Commission has kept abreast of computer software products and trends regarding both financial and education data tracking. Since there are only 40 states in the US that mandate continuing legal education (CLE) and each of those states has different requirements (number of hours, mode of learning, caps, multi-jurisdictional reciprocity, etc.), each state has developed a customized computer program specific to its court rule. Consequently, no proven software exists. This does not, however, negate the possibility that a software developer may design a program that is "adaptable" to Rhode Island's needs. Taking into account the cost of purchase and such adaptation, the Commission will continue to explore the feasibility of purchasing software that would improve data management.

This exploration is, therefore, ongoing and has no time frame absent the discovery of an adequate software alternative.

Recommendation 3: A review of all software alternatives should be performed to ensure compliance with the Rhode Island Supreme Court's information technology plan.

Response: Accepted.

As each computer software package is considered, the Commission will seek the consultation of the Court's computer technologies department (Rhode Island Judicial Systems and Sciences--RIJSS) in order to ensure that any purchase will be consistent with the Rhode Island Supreme Court's Information Technology Plan.

Further, and beyond the audit report recommendation, the Commission will also seek, wherever possible, to integrate some information streams such as change of attorney address and change of attorney status that can be shared by the Rhode Island Supreme Court Clerk's Office and the Rhode Island MCLE Commission.

The time frame for achieving Recommendation 3 is inextricably linked to Recommendation 2 and thus must remain open ended.